

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 NSAE-00 USIA-06 TRSE-00 ERDA-05
CIAE-00 CAB-02 DOTE-00 INR-07 CIEP-01 FAA-00 L-03 H-01
PM-04 NSC-05 SP-02 SS-15 SAJ-01 /073 W
-----281621Z 068019 /45

R 271331Z JAN 77
FM AMEMBASSY STOCKHOLM
TO SECSTATE WASHDC 9642
INFO DOD WASHDC
USDOC WASHDC
AMEMBASSY MOSCOW

C O N F I D E N T I A L SECTION 1 OF 2 STOCKHOLM 390

E.O. 11652: GDS
TAGS: EAIR, EEW, ESTC, UR, SW
SUBJECT: STANSAAB APPLICATION FOR EXPORT LICENSES FOR ATC CON-
TRACT WITH USSR

REF: (A) STOCKHOLM 0149 (NOTAL), (B) MOSCOW 0463 (NOTAL),
(C) STOCKHOLM 0031 (NOTAL)

1. SUMMARY. DURING A LUNCHEON AT THE AMBASSADOR'S RESIDENCE
JANUARY 24, MINISTER OF INDUSTRY NILS ASLING AND HIS COLLEAGUES
AGAIN RAISED THE QUESTION OF THE SWEDISH SALE OF AIR TRAFFIC
CONTROL SYSTEMS (ATC) TO THE SOVIET UNION. ASLING AND HIS
COLLEAGUES EXPRESSED THE HOPE THAT A US DECISION MIGHT BE
FORTHCOMING SOON ON EXPORT OF CERTAIN COMPONENTS IN THE SWEDISH
SYSTEM. IN THIS MESSAGE THE EMBASSY BRIEFLY REVIEWS THE STATE
OF PLAY IN THE MATTER AND PUTS FORWARD OUR OWN HOPE THAT,
WHETHER THE ANSWER IS YEA OR NAY, AN ANSWER WILL BE FURNISHED
SOON. END SUMMARY

2. AT THE AMBASSADOR'S LUNCHEON FOR ASLING, STEN NIKLASSON
(HEAD OF THE MINISTRY'S INTERNATIONAL SECRETARIAT) BROUGHT
UP STANSAAB'S ATC SALE TO THE USSR AND EXPRESSED THE HOPE,
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IN WHICH ASLING CONCURRED, FOR AN EARLY US RESPONSE ON
THE EXPORT OF US COMPONENTRY. THE AMBASSADOR EXPLAINED
THE COMPLEXITY OF THE QUESTION FOR WASHINGTON AND NOTED
THAT THE MATTER HAD NOT BEEN RAISED OFFICIALLY BY THE GOS.
THE SWEDISH OFFICIALS ACKNOWLEDGED THAT THIS WAS TRUE,
BUT SAID THE GOS WAS OF COURSE SYMPATHETIC TO STANSAAB IN
A DEAL OF THIS MAGNITUDE. THEY ADDED THAT STANSAAB WAS

CONCERNED FOR FEAT THE CHANGE OF US ADMINISTRATIONS MIGHT
PUT A HOLD ON THE DECISION IN WASHINGTON. THE AMBASSADOR
SAID HE BELIEVED THE STUDY WOULD GO FORWARD AS RAPIDLY AS
POSSIBLE DESPITE THE CHANGE OF ADMINISTRATIONS.

3. A BRIEF REVIEW OF THE SITUATION AS SEEN FROM STOCKHOLM
MAY BE USEFUL. IN THE FALL OF 1975, STANSAAB WAS THE
SUCCESSFUL BIDDER IN A SOVIET CONTRACT FOR A NEW ATC
SYSTEM FOR SEVERAL AIRPORTS, INCLUDING MOSCOW AND LENINGRAD.
ONE UNSUCCESSFUL BIDDER WAS SPERRY-UNIVAC, WHICH HAD
CHECKED IN ADVANCE WITH COMMERCE RE SOME SENSITIVE
COMPONENTRY AND WAS ADVISED IT HAD TO DOWNGRADE ITS
PROPOSAL BEFORE IT COULD EXPECT APPROVAL. (SOME US
OFFICIALS BELIEVE THE MORE SOPHISTICATED ASPECTS OF THE
STANSAAB PROPOSAL INFLUENCED ITS WINNING THE CONTRACT.)
STANSAAB APPLIED FOR EXPORT LICENSES FOR US COMPONENTS
IN EARLY 1976, AND IN A SERIES OF MEETINGS WITH WASHINGTON
AGENCIES LEARNED THAT APPROVAL WAS DOUBTFUL, IF NOT
IMPOSSIBLE, WITHOUT DOWNGRADING ITS PROPOSAL FOR
INSTALLING THE STANSAAB TERCAS SYSTEM. STANSAAB MANAGING
DIRECTOR GUNNAR WEDELL HAS RECEIVED COOPERATION IN KEEPING
STANSAAB'S APPLICATIONS OPEN WHILE HE PRESENTED EVIDENCE
IN FAVOR OF A POSITIVE DECISION BY THE OFFICE OF EXPORT
ADMINISTRATION. WEDELL'S LATEST INTERVENTION WAS A
DESCRIPTION OF THE SOVIET ATC SYSTEM CALLED START IN
LENINGRAD (FORWARDED BY THE EMBASSY, REF A). AFTER STUDYING
START, WEDELL ARGUES THAT THE SOVIETS ALREADY HAVE THE
CAPABILITY TO DESIGN, INSTALL AND OPERATE A SYSTEM AS
SOPHISTICATED AS TERCAS, SO THAT COMPLETION OF THE
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STANSAAB CONTRACT (WITH US COMPONENTS) WOULD NOT GIVE THE
USSR ANY CAPABILITY IT DOES NOT NOW POSSESS.

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PM-04 NSC-05 SP-02 SS-15 SAJ-01 /073 W

-----281622Z 086851 /45

R 271331Z JAN 77

FM AMEMBASSY STOCKHOLM
TO SECSTATE WASHDC 9643
INFO DOD WASHDC
USDOC WASHDC
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C O N F I D E N T I A L SECTION 2 OF 2 STOCKHOLM 390

4. WITH THE MATTER OF US COMPONENTS PENDING, STANSAAB HAS MOVED AHEAD WITH OTHER ASPECTS OF THE CONTRACT. SINCE LATE NOVEMBER, SEVERAL SOVIET TECHNICIANS HAVE BEEN IN TRAINING IN SWEDEN IN THE OPERATION OF TERCAS; THEY WILL BECOME INSTRUCTORS IN THE USSR. THE SOVIETS HAVE CARRIED OUT SOME OF THE CONSTRUCTION NECESSARY UNDER THE CONTRACT, ALTHOUGH BELATEDLY, AND STANSAAB REPS IN MOSCOW HAVE RECEIVED A LIMITED AMOUNT OF MATERIAL (REF C). THE SOVIETS ARE REPORTEDLY CHECKING ON RADAR EQUIPMENT WHICH STANSAAB HAS CONTRACTED FOR FROM THE ITALIAN FIRM SELENIA (REF B).

5. ALTHOUGH WE HAVE NO DIRECT CONFIRMATION, THE EMBASSY BELIEVES THAT STANSAAB WILL PRESS FORWARD WITH THE CONTRACT, IF IT IS AT ALL TECHNICALLY POSSIBLE, EVEN WITHOUT THE SENSITIVE US COMPONENTS, BY PROCURING THEM FROM THIRD COUNTRY SOURCES. THE CONTRACT IS HIGHLY IMPORTANT NOT ONLY TO STANSAAB (WHERE IT WILL PROVIDE A LARGE PART OF PRODUCTION OVER THE NEXT FOUR YEARS) BUT ALSO TO THE SWEDISH COMPUTER INDUSTRY. THE GOS OWNS HALF OF STANSAAB, WITH THE OTHER HALF HELD BY THE SAAB-SCANIA AB GROUP, ONE OF SWEDEN'S MAJOR COMPANIES. AT A TIME OF ECONOMIC

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DIFFICULTY FOR THE NEW GOS, WE MUST EXPECT STANSAAB TO SCRIMMAGE HARD TO KEEP ITS ATC CONTRACT ALIVE.

6. IT IS OBVIOUS THAT THE EMBASSY IS NOT PUTTING FORWARD ANY ARGUMENTS WITH REGARD TO THE EXPORT OF US COMPONENTS IN THIS MATTER; THAT IS NOT OUR BUSINESS. OUR CONCERN IS TIMING. THE MATTER IS MADE MORE SENSITIVE BY THE FACT THAT THE SAAB-SCANIA SUBSIDIARY WHICH PRODUCES THE VIGGEN AIRCRAFT APPROACHED US IN OCTOBER 1975 FOR A MAJOR DECISION REGARDING VIGGEN SALES ABROAD, AND A NEGATIVE DECISION WAS NOT GIVEN UNTIL NINE MONTHS LATER. SINCE THE SAME COMPANY IS INVOLVED, IT IS THE DELAY THAT IS SENSITIVE. WE SHOULD ADD THAT THE GOS HAS BEEN CAREFUL NOT TO INTERVENE IN THESE QUESTIONS, LARGELY BECAUSE IT CONSIDERS THE US-SWEDISH ARMAMENTS RELATIONSHIP SO IMPORTANT

THAT IT DOES NOT WISH TO DO ANYTHING TO HAMPER GOOD
RELATIONS IN THIS AREA.

7. ACTION REQUESTED. WITHOUT VOICING ANY OPINION AS TO
WHETHER THE ANSWER SHOULD BE YES OR NO REGARDING EXPORT
OF US COMPONENTS, THE EMBASSY REQUESTS THAT THE RESPONSIBLE
AGENCIES SEEK A RAPID END TO THE STUDY OF THIS QUESTION AND
AN EARLY REPLY FOR THE SWEDES

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CIVIL AVIATION, DOCUMENTS, EXPORT LICENSES, AIR TRAFFIC CONTROL, CONTRACTS
Control Number: n/a
Copy: SINGLE
Sent Date: 27-Jan-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STOCKH00390
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: P770026-1301
Format: TEL
From: STOCKHOLM
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1977/newtext/t19770111/aaaaajhc.tel
Line Count: 178
Litigation Code IDs:
Litigation Codes:
Litigation History:
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Message ID: 5dad5cf-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 STATE 149, 77 MOSCOW 463, 77 STOCKHOLM 31
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 25-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3479614
Secure: OPEN
Status: NATIVE
Subject: STANSAAB APPLICATION FOR EXPORT LICENSES FOR ATC CONTRACT WITH USSR
TAGS: EAIR, EEW, ESTC, SW, UR, COCOM
To: COM MOSCOW MULTIPLE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/5dad5cf-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009